

Business Taxpayers'

BILL OF RIGHTS

1999-00

ANNUAL REPORT

JOHAN KLEHS
Hayward
First District

DEAN ANDAL
Stockton
Second District

CLAUDE PARRISH
Torrance
Third District

JOHN CHIANG
Los Angeles
Fourth District

KATHLEEN CONNELL
Sacramento
State Controller

JAMES E. SPEED
Sacramento
Executive Director

 **STATE BOARD OF EQUALIZATION**

TAXPAYERS' RIGHTS ADVOCATE'S OFFICE

California Board of Equalization
450 N Street, MIC:70
P.O. BOX 942879, Sacramento, CA 94279-0070

Toll Free (888) 324-2798

FAX: (916) 323-3319

Jennifer L. Willis, *Advocate*
(916) 324-2798

BUSINESS TAXES

Mark S. Walker
(916) 324-2797

Margaret Pennington
(916) 445-8321

Kelly Ohling
(916) 445-0218

PROPERTY TAXES

Bob Reinhard
(916) 323-2513

Letter to Executive Director

October 2000

Mr. James E. Speed
Executive Director

Dear Mr. Speed:

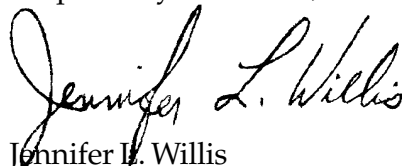
The Taxpayers' Rights Advocate's (TRA) Office staff and I are pleased to present the 1999 - 2000 Business Taxpayers' Bill of Rights Annual Report for the Board's and your consideration. This report highlights our accomplishments over the past year, current issues in the process of solution development, and emerging issues we recommend for consideration in the coming year.

Problem resolution continues to be a primary focus of the TRA Office. Since 1990, the number of new business contacts has more than doubled. We attribute this growth to increased public awareness of our Office as an avenue available for problem resolution when normal channels prove ineffective. Although the caseload has increased, over the last three years the number of cases that the TRA Office felt were not handled appropriately by the district offices has decreased by nearly 50 percent. We feel that these statistics reflect positively on the Board's efforts to strive towards excellence in public relations and staff adherence to laws, policies, and procedures.

Public education to increase voluntary tax compliance and avoid potential problems is another TRA Office focus. To address the need identified in the TRA's 1997 - 1998 Annual Report, we assisted program staff in developing the new *Tax Collection Procedures* pamphlet. Our Office participates and makes presentations at Taxpayer Service Days and Small Business seminars throughout the State of California in partnership with the Advocate Offices of the Franchise Tax Board, Employment Development Department, and the Internal Revenue Service. We also developed an internal education program to inform district office staff of the TRA Office's roles and responsibilities and how they can make referrals to our Office.

We look forward to continuing to work with staff and the public as we identify trends and issues, develop viable solutions, and strive to better serve our customers.

Respectfully submitted,

A handwritten signature in black ink that reads "Jennifer L. Willis". The signature is fluid and cursive, with the first name "Jennifer" being more prominent than the last name "Willis".

Jennifer L. Willis
Taxpayers' Rights Advocate



Contents

1	TAXPAYERS' RIGHTS ADVOCATE'S OFFICE: BACKGROUND
2	ACCOMPLISHMENTS
5	CURRENT ISSUES
8	EMERGING ISSUES
10	TAXPAYER CONTACTS WITH TRA OFFICE
10	Historical Caseload
11	Taxpayer Inquiries Cover a Wide Range of Issues
12	How Taxpayers were Referred to the Advocate's Office
13	APPENDICES
13	Taxpayers' Rights Advocate's Office Case Summary
14	Taxpayer Contacts By Business Taxes Office



Taxpayers' Rights Advocate's Office Background

In January 1989, the original Taxpayers' Bill of Rights was established to ensure that the rights, privacy, and property of California taxpayers are adequately protected in the assessment and collection of sales and use taxes. Currently, approximately 977,000 taxpayers are provided protection under this law. Effective January 1993, the Special Taxes Bill of Rights was established, expanding Bill of Rights statutory authority to the special taxes programs administered by the Board of Equalization (Board), currently impacting approximately 149,000 tax and fee payers. As the Board accepts responsibility for new special taxes and fee programs, the Bill of Rights protections are added for each program. Since these programs primarily impact business owners, they will be referred to generally as the Business Taxpayers' Bill of Rights, covering both sales and use taxes and the various special taxes and fees.

The Taxpayers' Rights Advocate's (TRA) Office facilitates resolution of taxpayer complaints or problems; monitors various Board tax and fee programs for compliance with the Taxpayers' Bills of Rights; recommends new procedures or revisions to existing policy to ensure fair and equitable treatment of taxpayers; and participates on various task forces, committees and public forums. During the year, mandated Taxpayer Bill of Rights public hearings are held to provide an opportunity for the elected Board Members to hear concerns, suggestions and comments from the public.

The TRA Office generally assists taxpayers who have been unable to resolve a matter through normal channels, when they want information regarding procedures relating to a particular set of circumstances, or when there are apparent rights violations in either the audit or compliance areas. Taxpayers also call just wanting to vent their frustration, seeking assurance or confirmation that staff action is lawful and just. When a customer or Board staff alleges discrimination or harassment, the TRA Office works with the Equal Employment Opportunity Office and program managers to resolve the complaint. Allegations of misconduct or threats by taxpayers or Board staff are referred to the Internal Security and Audit Division for investigation. Working together with program management, these offices support the Board's commitment to a discrimination/harassment-free taxpayer environment by investigating complaints and ensuring that Board staff are properly trained in these areas. Likewise, alleged taxpayer discrimination or sexual harassment towards Board staff are appropriately addressed.

In cases where the law, policy, or procedure does not allow any change to the staff action, but a change appears justified, the TRA Office is alerted to a potential area that may need clarification or modification. Several of the past suggestions for *Taxpayer Information Bulletin* articles, recommendations for policy or procedural changes, and legislative proposals have resulted from these types of contacts with taxpayers.

The TRA Office provides assistance to taxpayers and Board staff to facilitate better communication between both parties and eliminate potential misunderstandings. Taxpayers are provided information on policies and procedures so they can be better prepared to discuss their issues with staff and effect resolution.



Accomplishments

The primary function of the TRA Office is to ensure fair and equitable treatment of taxpayers in the assessment and collection of taxes, and to identify changes in policies, procedures and statutes to improve and/or ease taxpayer compliance. As a result of specific contacts from taxpayers, issues raised at the annual Taxpayers' Bill of Rights (TBOR) hearings, and issues identified by the TRA Office, suggestions are presented to the program staff for evaluation. With the cooperation of Board staff, the following are changes that were accomplished this past year.

- ***Lien Threshold Increased*** - At the 1999 TBOR Hearing, a taxpayer representative suggested that the minimum lien threshold be increased from \$1,000 to \$2,000. A thorough analysis of this issue by program staff revealed that it was not economically feasible to enforce and process liens in the \$1,000 to \$2,000 range. As a result, administrative guidelines in the Compliance Policy and Procedures Manual were modified to state "A lien request may be sent by the District to the Special Procedures Section if the delinquent amounts exceed \$2,000."
- ***Audit Penalties Reviewed*** - It was brought to the attention of the Board in the TBOR Hearings that penalties assessed during the audit process might not be applied consistently by the different district offices throughout the state. Program staff analyzed a nine-month period with data captured from the Board's database. The results of the study did not indicate any major inconsistencies between districts. However, because of this concern, the Board now maintains monthly statistics on discretionary penalties assessed during the audit process to monitor each district and to investigate reasons causing any district to be above the statewide average. The monthly report shows the type of penalties billed (Failure to File, Fraud, Negligence, 50% Operating Without a Permit, and Misuse of Resale Certificate), the total number of deficiency audits submitted by district, the total percentage of discretionary penalties recommended in relation to the total number of audits submitted, and detailed percentage information by types of penalty recommended.
- ***Board Correspondence Now Identifies Author*** - In the November 1999 TBOR Hearing, a taxpayer representative expressed concerns with the contents of a specific letter used by the Consumer Use Tax Section of the Board. Of particular concern was the fact that the correspondence was not signed by the author, leaving the recipient unable to contact the sender for questions or concerns. As a result of this suggestion, Board staff reviewed all outgoing correspondence in the Sales and Use Tax Department and modified the letters to include a signature, where applicable, identifying the author. If a signature is not applicable, a phone number will be provided on the correspondence.
- ***Delinquency Notice Added*** - In last year's TRA Annual Report, the TRA Office expressed concern over sending revocation notices three weeks after the due date of the return. In subsequent meetings with management, it was agreed that the revocation notice was too aggressive as a first contact on a delinquent return. As a result, an interim delinquency notice has been developed and will be implemented in December 2000. The current revocation notice will remain in use as a second notice on a continuing delinquent account.



- ***Reinstatement Fees Modified*** – In last year’s TRA Annual Report, the TRA Office indicated a need to explore the reasoning behind assessing a reinstatement fee on business locations that were closed out during a period when an account was revoked. A meeting was held with management and it was decided that the \$50 reinstatement fee should not apply to sublocations that were closed out during the time when a primary account was revoked. An operations memo was published and sent to the district offices informing them of this change in business practices. Appropriate guidelines will be incorporated into future revisions of the Compliance Policy and Procedures Manual. In addition, the TRA Office is currently considering proposing legislation that would limit the reinstatement fee to a maximum \$50 charge for the primary account.
- ***New Tax Collection Procedures Pamphlet*** – In partnership with program staff, the TRA Office coordinated development of Publication 54, *Tax Collection Procedures*. This pamphlet addresses the need identified in the 1997-98 TRA Annual Report to provide a comprehensive overview of the Board’s collection process. It is hoped that by educating the public on the collection and enforcement actions that are available on a delinquent account, taxpayers will make every effort to pay and file their returns timely.
- ***Proper Use of Bar Fact Sheet During Audit*** – When conducting an audit of a bar, Board staff obtains information from the taxpayer regarding the bar operations (e.g., drink pour size, happy hours, glass size, etc.) The information is compiled on a form called a Bar Fact Sheet. In a TRA case involving the audit of a bar, it was discovered that some districts were using an “Industry Standard” for the drink pour size instead of using information provided by the taxpayer on the Bar Fact Sheet. As a result, the Program Planning Manager issued a memorandum to all District Principal Auditors reiterating the Board’s policy on the use of the Bar Fact Sheet. If the audit conclusion is based on information other than that contained on the Bar Fact Sheet, such information must be fully documented in the audit working papers and discussed with the taxpayer. Additionally, if the auditor is going to dismiss some or all of the information contained on the Bar Fact Sheet, the reasons must be clearly stated with detailed comments and/or supported with testing.
- ***Waiver Guidelines Enhanced*** – In a written presentation at the October 1999 TBOR Hearing, a taxpayer representative expressed concerns over the Board’s method of obtaining waivers. As a result of his suggestions, Chapter 2 of the Audit Manual was revised to include provisions that a waiver of limitation should only be requested if 1) there is a sufficiently documented understatement or overstatement that can be billed/refunded without additional examination of the periods in question, 2) a taxpayer requests a postponement while an audit is in process, or 3) there have been excessive taxpayer delays in commencing an audit. In addition, the guidelines now require that the basis for the waiver request be included in the audit working papers, and supervisory approval be gained prior to presenting the waiver request to the taxpayer for signature.
- ***Fraud Penalty Recommendation Memo to be Provided to Taxpayer*** – In last year’s TRA Annual Report, the TRA Office identified an inconsistency between district offices as to whether the memo from the District Administrator to the Program Planning Manager recommending a fraud penalty assessment is considered a part of the working papers to be provided to the taxpayer. To clarify Board policy, appropriate revisions were made to Audit Manual section



0205.23, Furnishing Copies of Audit Working Papers (AWP), to include the statement "...AWP include the approved copy of any memo requesting the assessment of a fraud penalty."

- ***Prior Audit Working Papers Returned to Taxpayer*** – In last year's TRA Annual Report, the TRA Office requested district offices retain audit working papers for prior audits until guidelines had been established to return the working papers back to the taxpayer. In July 2000, a memo was sent to all district administrators providing guidelines for the disposition of prior audit reports and audit working papers. A key element of these guidelines is the opportunity for the taxpayer to request that the audit working papers be returned to them rather than being destroyed by the Board. The information contained in these audits could prove very important in future audits of the business. Regulation 1705, Relief From Liability, provides that a person may be relieved of liability for tax, interest, and penalty for reliance on erroneous written advice, which may include information contained in a prior audit report or working papers.
- ***State Contracted Fuel Exempt from Motor Vehicle Fuel Prepayment Requirements*** – At the November 1998 Taxpayer Bill of Rights Hearings, a fuel retailer presented issues regarding the prepayment of tax on motor vehicle fuel. The taxpayer had a contract with the California Highway Patrol to furnish gasoline at a set price. However, because of the fluctuation of the retail selling price of gasoline, the taxpayer often paid more in prepayments than what was due on the return. The processing delay in filing credit returns and waiting for the Board to refund the overpayments created a severe financial burden on the taxpayer. As a result of her concerns, the Board sponsored Senate Bill 2174, Chapter 256, Statutes of 2000, which modified section 6480.1 of the Revenue and Taxation Code to provide an exemption from the prepayment requirements if the gasoline is sold pursuant to a contract with the State of California or its instrumentalities.
- ***FTB Opinions on the Internet*** - As a result of the 1999 TBOR Hearings, the public now has access to Franchise and Income Tax opinions on the Board's Internet website. Currently, you can access formal opinions from 1991-1999 at www.boe.ca.gov/legal/legalopcont.htm. New formal opinions will be added to the website within two days after adoption by the Board. Board staff intends to continue adding opinions from earlier periods dating back to 1930.



Current Issues

The following issues, identified during last year's hearing and throughout this year, are in the process of being reviewed with program management to develop solutions.

- ***Modifying Security Requirements*** – In the 1998/99 Annual Report, the TRA Office suggested looking into the need for security or alternatively increasing the minimum security requirements to coincide with the minimum lien threshold (currently \$2,000). Program staff has taken these suggestions under consideration and assigned them to the Business Taxes Committee that is responsible for revisions to Chapter 4, *Security*, of the Compliance Policy and Procedures Manual. The TRA Office will be involved in the Interested Parties meetings for this chapter to ensure this issue is addressed.
- ***Late-Filing Penalties*** – In the 1998/99 Annual Report, the TRA Office wanted to explore alternatives to supporting the assessment of a late-filing penalty on tax returns. The postmark on the envelope is used by the Board in determining whether a return is filed timely. Currently, the postmarked envelope is destroyed once the mail date has been input on the system. The date on the system is the only evidence of the postmark date. It was determined that electronically scanning the envelope may not be feasible due to the light printing of postmarks. Board staff is currently considering other alternatives. In the interim, Administration has agreed to be flexible, where appropriate, when considering relief of penalty requests due to late filing of tax returns.
- ***Levy Notification*** – In the 1998/99 Annual Report, the TRA Office staff had concerns as to whether taxpayers are given sufficient notification when levies are issued. Program staff has reviewed current policies and procedures and determined that existing guidelines are vague, stating that the taxpayer must be served “several days after service to the bank.” In surveying the district offices, it was determined that staff waited an average of three to five days between mailing the levy to the bank and mailing the copy to the taxpayer. Although the taxpayer has ten days from the date of receipt of their copy to file a claim of exemption, often times the bank’s ten day hold has elapsed and the funds have already transferred to the State. As an interim solution, the program staff has suggested defining the time to serve the taxpayer as three days from the date of mailing to the financial institution, and up to a maximum of five days under unusual circumstances (e.g., bank branch office required to forward levy request to out-of-state central processing location which creates delay in levy process). However, the TRA Office would like to review additional alternatives in the coming year.
- ***Supporting Documents for Lien Amounts*** – When an account is determined uncollectible, it is usually written off for collection purposes, but a lien is often filed for an estimated or actual amount deemed owed at the time of write-off. For example, a taxpayer leaves the state without closing out their seller’s permit. Board staff attempts to collect from the taxpayer six months later and learn that they are no longer in business. The Board develops an estimated liability to the date of close out and files a lien. The lien is valid for ten years, and can be renewed twice for a total of 30 years. After a period of time, the file is destroyed and the only document remaining is the write-off form. The TRA Office is finding that when the lien



attaches to real property several years after the write-off, and the taxpayer contacts our office to question the lien, there are no documents to support the assessment. Due to the length of time, in most cases the taxpayer does not have any documents to dispute the liability, so the lien remains in force. The TRA Office would like to see guidelines established that provide for a minimum amount of documentation that needs to be maintained to support the assessment on any account that has an active lien in place. We would also like to explore alternatives to storing the documentation, such as microfilm or electronic scanning.

- ***Relief of Penalty/Extension Requests*** – Under the current review process, requests for extension of time to file are often denied after the time period when the taxpayer could have filed timely. The TRA Office would like to explore expediting the process of granting relief of penalty and extensions of time to file a return, for accounts that meet specific criteria (e.g., no prior history-three years, payment within 30 days of due date). This type of business practice is common with credit card companies, where a customer is often granted relief over the phone. The Board's current system provides ready access to account history to make a determination of whether an account would qualify. A customer services project group, including staff from the TRA Office, has been working on issues related to the extension process. New procedures have been developed to educate taxpayers on the process of requesting an extension, and the timeframe to expect a response from BOE. Internal processes in the program areas have been revised to timely notify taxpayers of the decision to deny their request for extension (generally, taxpayers can now expect a response within 7 days). The project group has also developed decision trees for staff use to better inform and direct taxpayers. This group is currently researching the feasibility of allowing requests over the Internet and by telephone.
- ***Partnership Notification of Liabilities*** – In the past year, the TRA Office has had several cases involving partnership liabilities, where one or more of the partners were not timely notified that a liability existed. To improve communications, Board staff is currently modifying procedures to ensure that the requirements of the Revised Uniform Partnership Act (RUPA) are met. One of the requirements will be to bill the partnership entity at the business address or other address of record, and also bill the individual partners at their address of record (obtained from the Seller's Permit Application or communication from the partner). This proposed billing procedure will extend to all billings on partnership accounts, including the demand billing which contains the first 30-day lien warning. The TRA Office is reviewing the proposed administrative procedures to ensure that the notification issues are adequately addressed.
- ***Successor's Liability*** - The TRA Office has had several cases regarding successor's liability in which the liability was subsequently canceled due to lack of documentation maintained by the Board. Successor's liability is based on the purchase price of the business, and is assessed against the purchaser of the business. In most of these cases, the liability was estimated by the Board without verifying the actual purchase price. In researching this, the TRA Office determined that the Sales and Use Taxes Division has already taken steps to address the issue. In February 2000, a reminder message was added to the Board's computer system that appears whenever a request is made by staff for a successor's liability billing. The message states "All requests must be followed-up by supporting documentation of the purchase of the



business, including proof of the purchase price. A mini-memo mentioning the account number and referencing the previous request should be sent separately to Special Procedures with supporting documentation.” In addition, Board staff responsible for approving successor liability billings have been directed by program management not to issue successor determinations until the complete successor package is submitted supporting the purchase of a business. The TRA Office would like to work with program staff in the coming year to ensure that successor liabilities that were established prior to the change in procedures are adequately supported.



Emerging Issues

As a result of taxpayer contacts and review of trends, policies and procedures within the Board, the Taxpayers' Rights Advocate's Office recommends consideration of the following issues:

- **Lien Release When Liability Paid by Personal Check** – Under current guidelines in the Compliance Policy and Procedures Manual, the Board waits 60 days to release a lien if payment of the liability is made by personal check. The lien will be released in less than 60 days only if the taxpayer or bank provides front and back copies of the canceled check. In today's electronic banking environment, the TRA Office feels that when payment is made by personal check, a lien release could be accomplished in a much shorter time period. Our office would like to work with program staff in developing a more reasonable waiting period and/or verification process.
- **Field Audit Waivers – Subject to 6596 Relief?** – Regulation 1705 interprets section 6596 of the Revenue and Taxation Code. The regulation provides relief from tax, penalty, and interest if a taxpayer requests and subsequently relies on written advice from the Board. Advice provided in a prior audit can be considered as written advice. There are circumstances where only a limited examination of a taxpayer's books and records is made to determine that a complete audit is not necessary. If this is the case, a field audit waiver may be issued, which provides a brief description of what was examined, the conclusions reached, and any work papers that support these conclusions. The TRA Office would like to work with program staff in developing procedures/guidelines that outline under what circumstances a field audit waiver would be considered written advice under Regulation 1705.
- **Payment Plan: Relief of Finality Penalty** – When a formal payment plan is entered into, one of the benefits is that the finality penalty will be waived if the payment plan is followed until the liability is paid in full. The TRA Office has handled cases where taxpayers were late on payments, but were never notified of any problems until the conclusion of the payment plan, when they were told that the finality penalty would not be relieved. The TRA Office would like to consider adding procedures that would warn the taxpayer of any deviations from the agreed payment plan, and that if subsequent late payments are received, the finality penalty would apply. In addition, current procedures need to be clarified to provide additional staff discretion to relieve the finality penalty and to keep the taxpayer informed of their status and obligations for timely payment.
- **Liens on Discharged Liabilities** – In a case involving a bankruptcy, it was determined that although the liability had been discharged, a lien that was filed for the liability still existed. According to staff, the lien is not enforceable. However, if a title company sends a demand, the Board responds as if the liability still exists. The TRA Office would like to review the current procedures to see if other alternatives are feasible, such as responding to the title company that the lien is not enforceable, or removing the lien at the time the amount is discharged in bankruptcy.
- **Reimbursement of Bank Fees** – Currently, the law allows the Board to reimburse bank fees and returned check charges as a result of erroneous levies. However, frequently there are



other charges that are not reimburseable, but are caused by the erroneous levy. Examples include third party return check charges and expenses relating to proving your identity to the Board (same name as debtor, but no relationship). The TRA Office feels that the Board should be held responsible for reimbursing these charges, so we would like to explore options to expand the definition of items that are reimburseable by the Board.

- ***Interest and Penalties on Prepayments*** – Currently, if a sales tax prepayment is filed late, a 6% late penalty applies. Under certain circumstances, taxpayers can be relieved of the penalty. However, section 6592.5 of the Revenue and Taxation Code states that if the request for relief of penalty is granted, then interest is due. The TRA Office would like to ensure that taxpayers are adequately notified of this provision in Board publications and on the request for relief of penalty form. In addition, the TRA Office would like to explore the elimination of section 6592.5 and provide relief of interest when relief of penalty for late prepayments is granted.
- ***Blanket Mailing of Vendor Levies*** – It has come to the attention of the TRA Office that in the collection process there have been instances where letters and notices of levy were sent to vendors based on mailing lists, such as Chamber of Commerce Listings, for a certain type of business. In many cases, companies that have never done business with the taxpayer receive the letters. We have received complaints not only from vendors who are being inundated with letters that don't involve their companies, but also by taxpayers who feel that the Board is simply attempting to ruin their reputation by blanketing all of the vendors in their line of business. The TRA Office would like to review current practices to determine how common this practice is, and whether there are other alternative methods that could be considered.
- ***Personal Guarantees*** – Currently, one of the options when posting security for an account is to file a personal guarantee. The personal guarantee stays in place and can be acted upon by the Board until rescinded by the guarantor. This holds true even if the guarantor is no longer involved in the business (e.g., corporate officer that retires). The TRA Office would like to explore alternatives, such as establishing an expiration/renewal date on these guarantees, so that the guarantors are reminded of the obligation and have an opportunity to rescind the guarantee if they are no longer involved in the business.



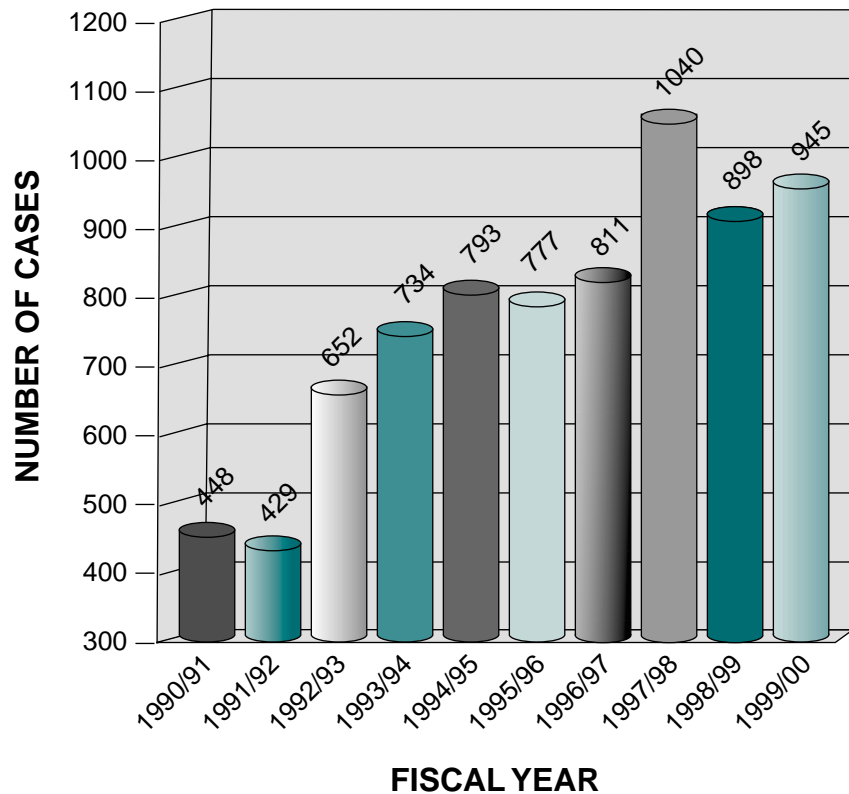
Taxpayer Contacts with TRA Office

Historical Caseload

During fiscal year 1999/00, the TRA Office handled 945 new Business Taxes contacts. As the chart indicates, Business Taxes contacts have shown a relatively consistent growth pattern in the past ten years. It is presumed that this increase is in direct relationship to the increased public awareness of taxpayer rights and the existence of the TRA Office. In recent years, both Federal and State agencies have increased public awareness, through legislation and public hearings, of alternatives that are available if rights are being violated. The TRA Office expects to continue to see an increase in taxpayer

contacts as access to the TRA Office becomes more readily available through the Internet, our toll-free telephone number, and our participation in taxpayer and practitioner seminars and forums.

Appendices 1 and 2 provide a breakdown of contacts by district and headquarters offices. Cases were assigned to a specific district or headquarters office if the taxpayer contacted the TRA Office due to a specific action taken by that office. Taxpayers who wanted information and guidance regarding a Board process or procedure were assigned to the TRA Office as the office of origin. When reviewing these appendices, it should be noted that there are many contributing factors that may cause certain districts to reflect a higher number of cases than other districts. These factors may include the number of taxpayers within the district, the type and size of business operations, geographical proximity to Sacramento, and local policy regarding referrals to the TRA Office. It should also be noted that although the caseload has consistently increased, over the last three years the number of cases that the TRA Office felt were not handled appropriately by the district office has decreased nearly 50 percent.





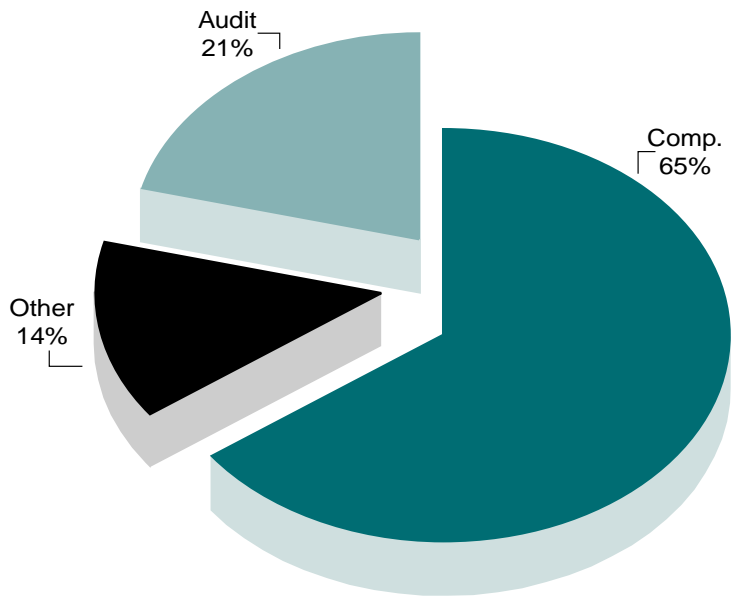
Taxpayer Inquiries Cover a Wide Range of Issues

Of the cases received, 65% involved sales tax compliance-related issues, 21% involved sales tax audit-related issues, and 14% involved other issues, such as consumer use tax, special tax and FTB appeal matters.

In addition, during the 1999/00 fiscal year, we tracked the reasons that taxpayers contacted our office. In some cases, there were multiple reasons; therefore, we allowed for up to three reasons per contact in our statistics.

The most common reasons why taxpayers contacted our office were to obtain information and guidance on a particular process, or to determine if an action taken by the Board staff was appropriate and in compliance with law and procedures. The remaining issues in descending order were: Payment Plans, TRA Intervention Requested, Questioning Liability, Liens, Penalty, Levy/EWO, Refund, Account

Maintenance, Policy/Procedure, Interest, Audit Procedures, Petition, Security, Revocation, Ownership, Legal Issues, Returns, Bankruptcy, Late Protest, and suggestions.



Customer service issues are segregated into three broad categories: communication problems, Board delay, and staff courtesy. Approximately ten percent of the total TRA contacts had customer service issues. Communication issues (e.g., misinformation, refusal to allow the taxpayer to talk to a supervisor, failure to answer specific taxpayer questions, not receiving a communication or notice) decreased from five percent in fiscal year 1998-99 to three percent this fiscal year. Approximately three percent of the cases had a complaint about Board delays in responding to inquiries, issuing refunds or resolving the taxpayer's case; and four percent had complaints about staff courtesy. The TRA Office feels that these statistics reflect positively on the Board's efforts to become more customer oriented and responsive to the needs of the public, and to provide clear, timely, and courteous treatment to taxpayers.

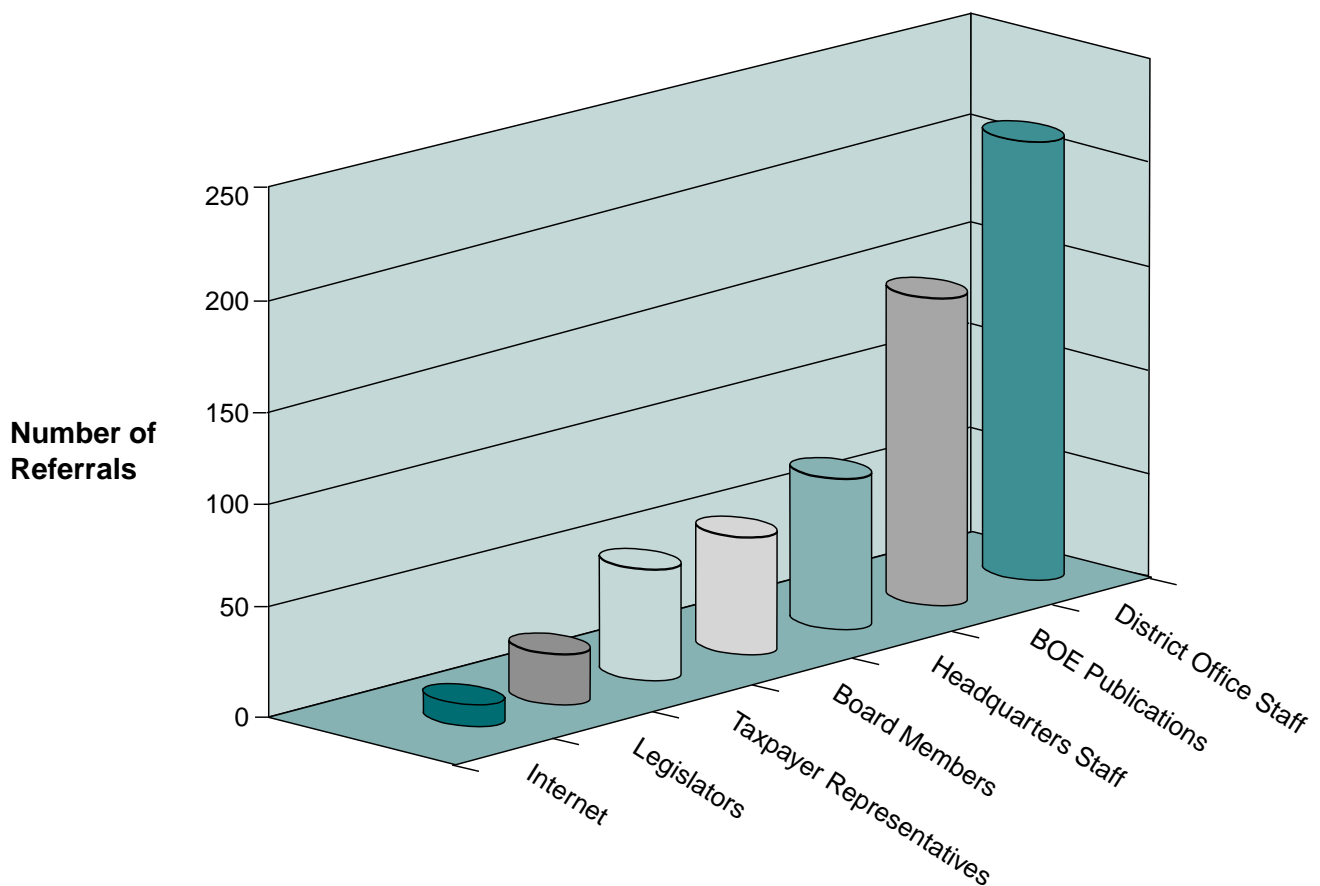
The customer service statistics were captured solely based on the taxpayers' statements or impression of the situation; therefore, these statistics are not necessarily verified problems but reflect the taxpayers' perceptions of the situation. For example, if a taxpayer complained that a collector made rude comments, we would record a "staff courtesy" complaint. However, oftentimes the taxpayer's contentions did not match staff's recollection of the situation or were portrayed in a different light or perspective.



How Taxpayers Were Referred to the Advocate's Office

In an effort to improve our service to the public, our office attempts to identify the source of referrals. Of those accounts that identified a referral source, the majority continue to be referred by Board staff or Board publications. The following chart gives a breakdown of how taxpayers were referred to our office based on those accounts that identified a referral source. A new category, Internet, was added to the statistics, as taxpayers are now able to send general questions to our office through the Board's website. Approximately 370 accounts are not reflected on this chart because the contact either did not identify the referral source, or identified a source that was not tracked by the TRA Office.

The most notable changes from Fiscal Year 1998-99 were in the areas of referrals from Taxpayer Representatives, an increase of approximately 380%, and Board Publications, which reflected an increase of approximately 27%. The TRA Office attributes these increases to the efforts we have made in taxpayer outreach in both written publications and oral presentations.





APPENDIX 1

Taxpayers' Rights Advocate's Office Case Summary (FY 1999/00)

	Cases by Issue Type			Total Cases	Confirmed Staff Case Handling		Case Handling Changed		Satisfied with TRA		Referred To		
	Audit	Compliance	Other		Yes	No	Yes	No	Yes	No	District	HQ	Other
Norwalk (AA)	1	10	0	11	9	0	3	6	7	3	8	0	3
Torrance (AB)	2	7	0	9	6	2	3	5	7	2	7	1	1
Van Nuys (AC)	6	20	1	27	19	0	11	10	20	3	15	6	6
Industry (AP)	2	13	0	15	8	2	5	7	12	1	11	1	3
Ventura (AR)	5	24	0	29	20	3	6	16	22	4	18	3	8
Culver City (AS)	7	12	0	19	10	1	7	4	15	0	12	2	5
San Francisco (BH)	4	14	0	18	10	1	3	9	12	5	10	2	6
Oakland (CH)	5	22	1	28	19	4	9	15	23	4	22	1	5
Fresno (DH)	0	15	0	15	5	2	4	3	8	3	11	1	3
Santa Ana (EA)	4	30	2	36	19	9	9	20	23	9	18	5	13
Riverside (EH)	7	14	1	22	8	4	9	2	17	2	18	0	4
San Diego (FH)	0	22	0	22	12	5	10	7	14	2	13	3	6
San Jose (GH)	5	18	1	24	10	4	7	8	15	1	15	2	7
Santa Rosa (JH)	3	31	0	34	21	3	10	14	22	8	22	2	9
Sacramento (KH)	1	31	1	33	20	4	11	13	27	5	22	3	8
Out-of-State (OH)	5	4	0	9	6	1	3	3	8	0	7	2	0
Appeals Section	12	3	5	20	9	1	3	8	11	3	4	8	8
Board Member's Office	0	0	0	0	0	0	0	0	0	0	0	0	0
Centralized Collection	1	17	7	25	18	2	10	7	17	4	1	21	3
Consumer Use Tax	2	4	5	11	7	2	3	6	5	4	0	7	4
HQ - General	11	31	3	45	27	3	21	12	31	7	6	31	8
Petition Section	23	4	1	28	20	2	12	11	21	5	0	20	8
Refund Section	13	15	2	30	19	1	13	9	22	5	1	21	8
Return Analysis	1	44	2	47	35	2	10	27	32	9	4	32	11
Special Procedures	2	38	1	41	32	2	16	18	32	6	0	30	11
Special Taxes	3	4	16	23	14	3	7	9	14	1	3	17	3
State Controller's Office	0	0	0	0	0	0	0	0	0	0	0	0	0
Taxpayer's Rights Adv.	75	161	88	324	65	6	10	60	185	24	27	52	246
Total	200	608	137	945	448	69	215	309	622	120	275	273	397

Note: The columns "Confirmed Staff Case Handling," "Case Handling Changed," "Satisfied with TRA" and "Referred To" will not always equal the total cases since they are not applicable in all cases.



APPENDIX 2

Taxpayer Contacts By Business Taxes Office

